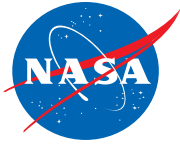


OVERVIEW OF CONTRACTING OPTIONS

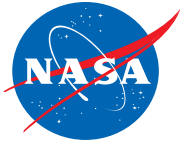
Presented by Bill McNally
July 24, 2012



Selecting the Right Contract Type

- Objective
 - Negotiate a contract type and price that results in reasonable contractor risk and provides incentive for efficient and economical performance

“The optimum balance between risk and reward”



Selecting a Contract Type

- What are your acquisition's objectives?
 - New program?
 - Existing program? (Historical performance)
- How much risk do you want to incur?
- How much risk does the overall program have?
- What is the market for the requirement?



Risk Factors in Selecting Contract Type

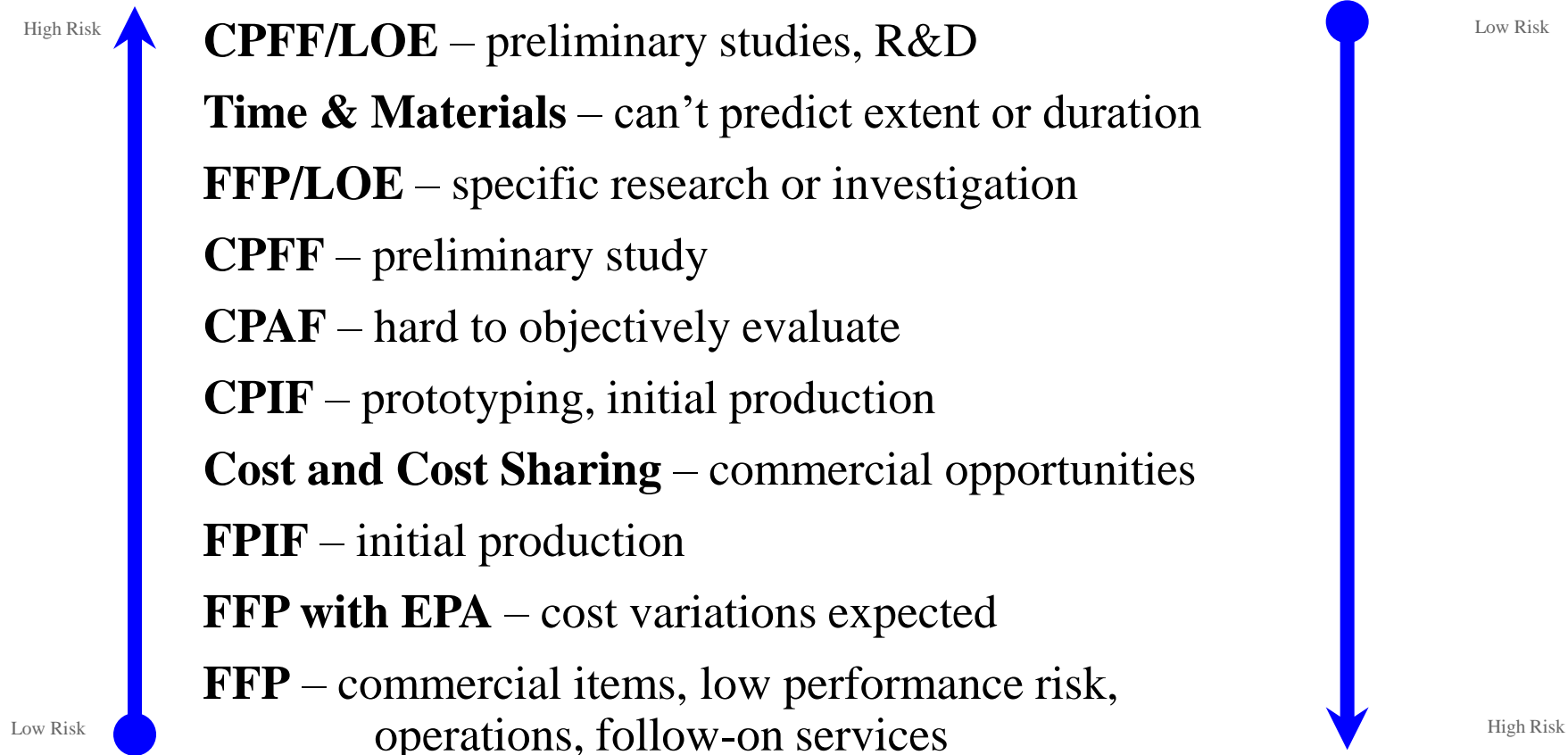
- Overall mission objectives
- Type and complexity of requirements
- Schedule urgency
- Period of performance
- Inherent risks of performance
- Price competition
- Adequacy of accounting systems
- Past performance
- Adequacy of price/cost analysis
- Contractor's technical capability and financial responsibility

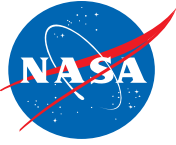


Contract Types Continuum

Government

Contractor





Fixed Price vs. Cost Reimbursement

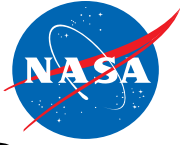
Characteristics

Fixed Price

- Government pays fixed price based on deliverables or contract financing.
- Contractor assumes the majority of the risk.
- Maximizes incentive for contractor to control costs.
- Minimum Govt. Surveillance
- Technical maturity (firm requirements)
- Must have reasonable basis for pricing.

Cost Reimbursement

- Government pays allowable cost based upon costs incurred.
- Government assumes the majority of the risk.
- Little incentive for contractor to control costs.
- Maximum Govt. Surveillance
- Scope not well-defined



Firm Fixed Price Contract Type

Considerations for Commercial Buys

- Determine best fit to Program goals, scope of work, and attributes by assessing:
 - Length of performance period
 - Statement of Objectives and flexibility for offerors to propose content within their risk posture
 - Contractor level of product maturity
 - Stability of Government requirements
 - Open communications with industry to ensure understanding of NASA requirements
 - Adequate incentives to promote satisfactory performance